



**SAFARICOM INVESTMENT CO-OPERATIVE SOCIETY LIMITED**

**REPORT AND FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED 31ST DECEMBER 2018**

**CS/11960**  
**SAFARICOM INVESTMENT CO-OPERATIVE SOCIETY LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST DECEMBER 2018**

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**SOCIETY INFORMATION**

**MANAGEMENT COMMITTEE MEMBERS**

The following served during the year:-

George Mochache	Chairperson- Upto 24th February , 2018
Mackrine Abukah	Chairperson- Wef 6th March, 2018
Mackrine Abukah	Vice-Chairman- Upto 24th February, 2018
Agnes Marete	Vice-Person- Wef 6th March, 2018
Belsheba Nyabwa	Secretary- Upto 24th February, 2018
Rhoda Marimbi	Secretary- Wef 6th March, 2018
James Gathumbi	Treasurer- Upto 24th February, 2018
Jackson Mulwa	Treasurer- Wef 6th March, 2018
Alexander Kinyae	Committee Member - Upto 24th February, 2018
Belsheba Nyabwa	Committee Member- Wef 24th February, 2018
Rosemary Chege	Committee Member
James Gathumbi	Committee Member- Upto 7th June 2018
Rebecca Bisanju	Committee Member- Wef 24th February, 2018
Peter Gichangi	Committee Member- Wef 24th February, 2018

**Supervisory Committee**

Dolories Cheruto	Chairperson- Upto 24th February, 2018
Anthony Clement Odhiambo	Chairperson- Wef 6th March, 2018
Peter Mukera	Secretary- Wef 6th March, 2018
George Mochache	Member - Wef 24th February, 2018
George Mochache	Member - Upto 31st May 2018
Judy Runo	Co-opted Member- Wef 2nd July, 2018

**Bankers**

Co-operative Bank of Kenya Limited-Westlands Branch  
Bank of Africa  
Safaricom Sacco FOSA Account

**Auditors**

Mbaya & Associates  
Certified Public Accountants (K)  
3rd Floor, Western Heights  
Karuna Road, Westlands.  
P.O. Box 45390-00100,  
Nairobi -Kenya.

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**STATISTICAL INFORMATION**

	<b>2018</b>	<b>2017</b>	<b>Change</b>
Number of Members	4,345	4,140	4.95%

**MEMBERS' FUND**

	<b>Kshs</b>	<b>Kshs</b>	<b>%</b>
Share Capital	2,500,715,663	2,319,807,204	7.80%
Statutory Reserves	14,475,812	13,094,909	10.55%
General Reserves	29,026,728	28,503,116	1.84%
Proposed Rebates to Members	375,000,000	420,000,000	-10.71%

**ASSETS**

Property, Plant and Equipment	8,776,756	8,390,150	4.61%
Intangible Assets	1,825,098	2,606,853	-29.99%
Current Assets	2,757,805,113	2,523,154,770	9.30%
Non-current Assets	1,169,162,692	1,317,495,937	-11.26%

**LIABILITIES**

Non Current Liabilities	436,663,758	378,438,668	15.39%
Current Liabilities	955,004,801	1,111,803,812	-14.10%

**PROFITABILITY RATIOS**

Turnover	525,272,526	533,292,707	-1.50%
Surplus	6,904,515	12,813,564	-46.12%

Interest on Members Deposits as % of total Share Capital	15.00%	18.10%
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**EXPENDITURE**

Operating Expenditure as a % of Turnover	26.26%	17.81%
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Return on Members Deposit as a % of turnover	71.39%	78.76%
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**LIQUIDITY RATIOS**

Current Ratio	2.76 : 1	2.27 : 1
Acid Test Ratio	155.48%	106.53%

**RETURN RATIOS**

Return on Assets	13.34%	13.85%
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**REPORT OF MANAGEMENT COMMITTEE**

The members of the management committee submit their annual report together with the financial statements for the year ended 31st December 2018.

**Incorporation**

The society is incorporated in Kenya under the Cooperative Societies Act. Cap 490 of 1997 2004 and is domiciled in Kenya.

**Principal activity**

The principal activity of the society is investment.  
Real Estate  
Marketable Securities  
Private Equity

<b><u>Results</u></b>	<b>2018</b>	<b>2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Surplus before tax	12,355,899	18,305,091
Income Tax expense	(5,451,384)	(5,491,527)
Net Surplus(deficit) after Tax	6,904,515	12,813,564
Retained surplus for the year	29,026,728	28,503,116
Proposed rebates on members' share capital	375,000,000	420,000,000

**Management Committee**

The members of the management committee who served during the year and to date of this report is as listed on page 1.

**Auditors**

Mbaya & Associates, Certified Public Accountants (K), who were re-appointed during the year have expressed their willingness to continue in office in accordance with the Co-operative Societies (Amended) Act, 2008

By order of management committee

Signature.....  
Hon. Secretary.

Date..... 22.01.19.....

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**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES**

The Co-operative Societies Act Cap 490 require the Management Committee to prepare accounts for each financial year, which give a true and fair view of the state of financial affair of the society at the end of the financial year, and the operating result.

It also require the Management Committee to ensure that the society keeps proper accounting records which disclose with reasonable accuracy at any time, the financial position of the society. They are also responsible for safeguarding the assets of the society.

The Management Committee accept responsibility for the Financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with generally accepted accounting practice and in the manner required by the Co-operative Societies Act Cap 490.


The Management Committee are of the opinion that the accounts give a true and fair view of the state of the financial affairs of the society and the operating results.

The Management Committee further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of accounts, as well as adequate systems of internal controls.

Nothing has come to the attention of the members of the Board of Directors to indicate that the Society will not remain a going concern for at least the next twelve months from the date of this statement.

CHAIRMAN: ..... 

SECRETARY: ..... 

TREASURER: ..... 

# Independent Auditor's Report

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To the members of Safaricom Investment Co-operative Society Limited

## Opinion

We have audited the financial statements of Safaricom Investment Co-operative Society Limited set out on pages 8 to 19, which comprise the statement of financial position as at December 31, 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Safaricom Investment Co-operative Society Limited as at December 31, 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Co-operative Societies Act Cap 490.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Kenya. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming Our opinion thereon, and we do not provide a separate opinion on these matters.

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### Key audit matter

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### How our audit addressed the key audit matter

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#### 1. Projects transactions

The society's major source of income is from projects transactions as it forms 87% of the total income. These projects include land and housing. The society recorded total income from projects at Kshs. 460 million as per note 3 of the financial statements. This represents an increase of 3% from prior year which is mainly attributed to increase in sale of land. Notable, income from housing decline by 57% which is attributable to reduction in housing sales. We consider projects transactions a key audit matter due to its materiality and susceptibility of these transactions to fraud and misstatements.

We obtained income schedules and support documents and ascertained accuracy and completeness. We evaluated the internal controls for instance we observed that there was proper segregation of duties. We obtained bank statements and verified deposits made. We did analytical review and variance analysis and obtained explanations for changes and variances. We also assessed recognition of these revenues in accordance with IFRS 15. We noted that the society did not adopt this standard in the year under review. However, a disclosure has been made as per note 1(a) of the financial statements.

#### 2. Assets held for sale

This comprise of all parcels of land and houses held by the society which were not sold during the year and the new stock acquired during the year. Closing stock at the year end was Ksh 1.2 billion as per note 15 and 16 of the financial statements which represents 32% of the total assets. We consider this a key audit matter because this stock are held in trust of the members. They are sold off and thus generate income which is utilized to settle the society's obligations and for the benefit of members in form of dividends. If the assets

Our audit procedures involved assessing the society's accounting policies over recognition of inventory in compliance with appropriate accounting standards. We performed analytical review and obtained explanations for the changes. The changes were minimal attributed to normal operations of the society.



## Independent Auditor's Report

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### Key audit matter

### How our audit addressed the key audit matter

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held for sale are misstated, the resultant statement of financial position will also be misstated.

### 3.Share Capital

The society's share capital constitutes 63% of the total equity and liability.As at the end of year, the society's share capital were Ksh 2.5 billion as per note 26 of the financial statements. The minimum number of shares held by each member is 300 shares both for individuals and for groups/corporate organizations with less than 20 members as stipulated by society's by laws. We consider this a key audit matter since it is the core capital of the society and it denotes non-withdrawable funds the society holds. It forms the backbone of the society and thus its' misstatement means the statement of financial position will be misstated.

We obtained members register and verified the shareholding as per the requirements of the by laws.

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### Other information

The directors are responsible for the other information. The other information comprises the Directors' Report and the Audit Committee's Report as required by the Co-operative Societies Act Cap 490 of Kenya, which we obtained prior to the date of this report. Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Co-operative Societies Act Cap 490, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

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## Independent Auditor's Report

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### Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner responsible for the audit resulting in this independent auditor's report was CPA Andrew Bulemi Certified Public Accountants (Kenya), Practising Certificate No. 2071.

*Mbaya & Associates*  
**Mbaya & Associates**



**MBAYA & ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS  
P. O. Box 45390-00100, NAIROBI.

Date: 24 January 2019.

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**STATEMENT OF COMPREHENSIVE INCOME**

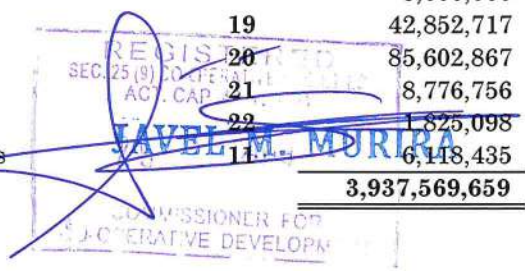
	<u>Notes</u>	<u>2018</u> <u>KShs.</u>	<u>2017</u> <u>KShs.</u>
<b>Revenue:</b>			
Interest Income	2	11,405,574	47,203,722
Operating Income	3	114,014,010	45,553,211
Other Income	4	24,852,942	20,535,773
		<u>150,272,526</u>	<u>113,292,707</u>
<b>Expenses:</b>			
Administration	5	27,342,930	12,109,076
Personnel	6	56,817,736	52,348,306
Financial & Professional	7	5,822,766	4,333,694
Governance	8	12,637,379	6,732,201
Business Development	9	32,289,690	15,628,580
Depreciation/Amortisation	10	3,006,127	3,835,758
		<u>137,916,627</u>	<u>94,987,616</u>
<b>Net operating surplus before tax</b>		12,355,899	18,305,091
Tax charge for the year	11	(5,451,384)	(5,491,527)
<b>Net surplus for the year</b>		<u><u>6,904,515</u></u>	<u><u>12,813,564</u></u>

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**STATEMENT OF FINANCIAL POSITION**

	Notes	2018 KShs.	2017 KShs.
<b>ASSETS</b>			
Cash and Bank	12	93,445,002	92,257,684
Receivables and Prepayment	13	1,899,458	7,298,120
Trade and Other Receivables	14	1,881,549,775	1,672,480,758
Non-current assets classified held for sale	15	1,012,443,404	998,815,174
Housing Stock for sale	16	260,538,130	339,893,067
Land held for Investment	17	8,619,717	49,219,185
Land held for Housing Projects	18	530,898,300	486,590,700
Investment in Top Farm Ltd		3,000,000	3,000,000
Agribusiness Investment	19	42,852,717	45,143,222
Other Financial Assets	20	85,602,867	145,952,797
Property and Equipment	21	8,776,756	8,390,150
Intangible Assets	22	1,825,098	2,606,853
Current Income Tax Receivables	11	6,148,435	-
		<b>3,937,569,659</b>	<b>3,851,647,709</b>
<b>EQUITY AND LIABILITIES</b>			
Deferred Income	23	116,501,308	140,845,500
Trade Payables	24	465,186,389	548,616,785
Proposed Rebates to Members		375,000,000	420,000,000
Current Income Tax Payable	11	-	2,341,526
Interest Bearing Liabilities	25	436,663,758	378,438,668
		<b>1,393,351,455</b>	<b>1,490,242,480</b>
<b>Equity &amp; Reserves</b>			
Share Capital	26	2,500,715,663	2,319,807,204
Reserves	27	43,502,540	41,598,025
		<b>2,544,218,203</b>	<b>2,361,405,229</b>
<b>Total Liabilities and Equity</b>		<b>3,937,569,659</b>	<b>3,851,647,709</b>



The financial statements on pages 8-19 were authorized for issue by the management committee on... 22 Jun 2019 ...and signed on its behalf by:

Chairman ..... M. B. Njoroge .....  
 Treasurer ..... [Signature] .....  
 Secretary ..... [Signature] .....



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**STATEMENT OF CHANGES IN EQUITY**

	<b>Share Capital</b>	<b>Statutory</b>	<b>Retained</b>	<b>Total</b>
	<b><u>Kshs</u></b>	<b><u>Reserve</u></b>	<b><u>Earnings</u></b>	<b><u>Kshs</u></b>
		<b><u>Kshs</u></b>	<b><u>Kshs</u></b>	
Balance as at 01.01.2017	1,867,042,529	10,532,197	22,630,470	1,900,205,196
Profit for the year	-	-	12,813,564	12,813,564
20% statutory reserve	-	2,562,713	(2,562,713)	-
Prior Year Adjustment	-	-	(378,205)	(378,205)
Proposed Honoraria	-	-	(4,000,000)	(4,000,000)
Additional Shares	452,764,675	-	-	452,764,675
<b>Balance as at 31.12.17</b>	<b><u>2,319,807,204</u></b>	<b><u>13,094,910</u></b>	<b><u>28,503,116</u></b>	<b><u>2,361,405,230</u></b>
Balance as at 01.01.2018	2,319,807,204	13,094,910	28,503,116	2,361,405,230
Profit for the year	-	-	6,904,515	6,904,515
20% statutory reserve	-	1,380,903	(1,380,903)	-
Proposed Honoraria	-	-	(5,000,000)	(5,000,000)
Additional Shares	180,908,412	-	-	180,908,412
<b>Balance as at 31.12.18</b>	<b><u>2,500,715,616</u></b>	<b><u>14,475,813</u></b>	<b><u>29,026,728</u></b>	<b><u>2,544,218,158</u></b>

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**CASH FLOW STATEMENT**

	<b>2018</b>	<b>2017</b>
	<b><u>Kshs</u></b>	<b><u>Kshs</u></b>
<b>Cash Flows from operating activities</b>		
Receipts from customers and debtors	523,272,526	533,292,707
Payments to employees and suppliers	(109,727,798)	(78,614,592)
	<u>413,544,728</u>	<u>454,678,115</u>
<b>Increase/Decrease in Operating Assets</b>		
Receivable & Prepayment	(203,670,355)	(471,328,781)
Decrease/(increase) in Blue Bells stocks	79,354,937	380,415,523
Increase /decrease in Land held for sale	(13,628,230)	(280,713,886)
Decrease/(increase) Agribusiness	2,290,505	2,906,734
Decrease/(increase) in land for housing projects	(44,307,600)	(211,780,700)
Decrease/increase in deferred income	24,344,192	49,463,184
<b>Increase/Decrease in Operating Liabilities</b>		
Creditors and Accruals	(83,430,396)	(289,970,230)
<b>Net Cash from operating activities before taxes</b>	<u>174,497,781</u>	<u>(366,330,041)</u>
Tax paid	(13,911,345)	(9,600,174)
<b>Net Cash from operating activities after taxes</b>	<u>160,586,436</u>	<u>(375,930,215)</u>
<b>Cash Flows from Investing Activities</b>		
Increase in fixed assets	(2,610,979)	(6,250,954)
Changes in investment	60,349,930	110,828,919
<b>Net cashflow from investing activities</b>	<u>57,738,951</u>	<u>104,577,965</u>
<b>Cash Flows from Financing Activities</b>		
Increase in Share Capital	180,908,412	452,764,675
Blue Bells loan received	200,730,860	378,438,668
Loan Repayment	(178,777,339)	(125,061,102)
Dividend Payment	(420,000,000)	(392,000,000)
<b>Net cash from Financing Activities</b>	<u>(217,138,067)</u>	<u>314,142,241</u>
Net Increase in Cash and Cash Equivalent	1,187,319	42,789,991
Cash and Cash Equivalent at the Beginning of the Year	92,257,684	49,467,693
<b>Cash and Cash Equivalent at the End of the Year</b>	<u>93,445,002</u>	<u>92,257,684</u>

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## Accounting Policies

### 1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set below:

#### a Statement of compliance & basis of preparation

The financial statements are prepared in accordance and comply with international financial reporting standards. Financial statements are presented in the functional currency, Kenya shillings and prepared under historical cost convention, as modified by revaluation of certain assets as prescribed by International Financial Reporting Standards.

**NOTE:** IFRS 15 was effective as from 1st January 2018. In the current year under review, income from project transactions were not recognized in accordance with IFRS 15. The society has not yet adopted this standard. However the standard will be fully adopted starting from 2019. If the standard was adopted in the current year, it will have a negative impact on income as indicated below.

<b>Operating Income</b>	<b>Current treatment</b>	<b>If Adopted</b>
Income from Sale of Land	399,767,070	99,767,070
Income from Housing Project	61,064,250	61,064,250
Interest on Extended payment	30,545,391	30,545,391
Loss from Farming	(2,362,701)	(2,362,701)
<b>Total operating income</b>	<b><u>489,014,010</u></b>	<b><u>189,014,010</u></b>
Rebates to Members	375,000,000	75,000,000

#### b Revenue recognition

Revenue on sale of land to members is recognized upon payment of deposit of the contract price which is calculated based on the market prices and additional cost incidental to the land in question. The balance is receivable within 3 months thereafter. Interest from bank, Dividends from share investments are recognized as when earned. Rental income is recognized net of VAT.

#### c Depreciation

Depreciation is calculated on a straight-line basis to allocate the costs or revalued amounts over their estimated useful lives as follows:

	<b>Rate</b>
Computer Software	20.00%
Computers	30.00%
Motor Vehicle	25.00%
Phones Accessories	33.30%
Furniture & Equipment	12.50%

**d Land amortization**

Land amortization is done depending on the remaining lease years of each leasehold property. The asset's residual value and lives are reviewed, Adjusted if appropriate at each balance sheet date.

**e Financial Assets**

The society has classified its financial instruments into the following categories:

**i) Held to maturity investment:** These comprise non-derivative financial assets with fixed or determinable payments and fixed maturity that the society has a positive intention and ability to hold to maturity.

**ii) Land Debtors and other receivables:** These comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and excludes assets which the society intends to sell immediately or in the near-term or those which the society upon initial recognition designates as at fair value thought profit or loss .

**iii) Available-for-sale :** These comprise non-derivative financial assets that are not classified under any of the other categories of financial assets.

**c Tax**

Current tax is provided on the basis of the results for the year, as shown in the financial statements in compliance with and adjusted in accordance with tax legislation.

**d Statutory Reserves.**

Transfers are made to the statutory reserves fund at a rate of 20% of net operating surplus after tax provision of section 47 (1&2) of the cooperative societies act Cap 490.

**e Trade and other payables**

Trade and other payables are recognized initially at fair values and subsequently measured at amortized cost using the effective interest rate method.

**f Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

**f Borrowings**

Borrowing costs, net of any temporary investment income on those borrowings, that are attributable to acquisition, construction or production of a qualifying asset are capitalized as part of the asset. The net borrowing cost capitalized is either the actual borrowing cost incurred on the amount borrowed specifically to finance the asset; or in the case of general borrowings, the borrowing cost is determined using the overall weighted average cost of the borrowings on all outstanding borrowings during the year less any specific borrowings directly attributable to the asset and applying this rate to the borrowing attributable to the asset. Capitalization of borrowing costs ceases when all activities necessary to prepare the qualifying asset for its intended use or sale are complete. All other borrowing costs are recognized in the profit or loss in the year in which they are incurred.

**g Investment properties**

Investment properties are long-term investments in land and buildings that are not occupied substantially for own use. Investment properties are initially recognized at cost and subsequently carried at fair value representing open market value at the reporting date and is determined annually by independent external registered values. Changes in fair value are recorded in profit or loss.

Subsequent expenditure on investment properties where such expenditure increases the future economic value in excess of the original assessed standard of performance is added to the carrying amount of the investment property. All other expenditure is recognized as an expense in the year which it is incurred.

Gains and losses on disposal of investment property are determined by reference to their carrying amount and are taken into account in determining operating profit.

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	<b>2018</b>	<b>2017</b>
	<b><u>Kshs</u></b>	<b><u>Kshs</u></b>
<b>2 Interest Income</b>		
Interest on Fixed Deposits	6,253,715	27,133,790
Interest on Tenancy Purchase	5,151,859	20,069,933
	<b><u>11,405,574</u></b>	<b><u>47,203,722</u></b>
<b>3 Operating Income</b>		
Income from Sale of Land	399,767,070	315,192,238
Income from Housing Project	61,064,250	124,588,124
Interest on Extended payment	30,545,391	28,454,021
Loss from Farming	(2,362,701)	(2,681,171)
	<b><u>489,014,010</u></b>	<b><u>465,553,211</u></b>
Proposed Rebates to Members	<b><u>(375,000,000)</u></b>	<b><u>(420,000,000)</u></b>
<b>Total Operating Income</b>	<b><u>114,014,010</u></b>	<b><u>45,553,211</u></b>
<b>4 Other Income</b>		
Rental Income	3,409,750	3,944,450
Private Equity Investment	-	4,039,725
Dividend from CIC Group Shares	-	179,550
Sale of Tenders	1,239,889	492,000
Project Exit Fee	6,827,344	3,077,628
Share Transfer Fees	5,575,759	3,841,620
Entrance Fees	5,800,200	4,960,800
Prior year staff bonus	2,000,000	-
	<b><u>24,852,942</u></b>	<b><u>20,535,773</u></b>
<b>Total income before rebates to members</b>	<b><u>150,272,526</u></b>	<b><u>113,292,707</u></b>

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**NOTES TO THE FINANCIAL STATEMENTS (Cont....)**

	<b>2018</b>	<b>2017</b>
	<b><u>Kshs</u></b>	<b><u>Kshs</u></b>
<b>5 Administration Expenses</b>		
Office Expenses	4,511,129	2,571,623
Office Rent	2,475,885	1,800,900
Software Maintenance	2,448,877	1,831,145
Team building	2,199,198	2,193,760
Motor Vehicle expenses	1,330,114	1,028,770
Internet Domain	1,080,400	968,754
Printing and Stationery	832,599	676,007
Traveling & Subsistence	579,317	749,836
CSR	556,800	-
Postage	335,929	280,012
Assets Written Off	-	8,271
Tax penalty	10,992,681	-
	<b><u>27,342,930</u></b>	<b><u>12,109,076</u></b>
<b>6. Personnel Expenses</b>		
Salaries and Wages	40,296,397	35,875,469
Performance Based Rewards to Employees	8,000,000	8,000,000
Staff Medical	7,123,834	6,070,407
Education and Training expenses	775,493	1,565,670
Recruitment Expenses	438,368	674,000
Modem Data Bundles	130,300	108,800
Professional Subscription	53,344	53,960
	<b><u>56,817,736</u></b>	<b><u>52,348,306</u></b>
<b>7 Financial And Professional Expenses</b>		
Consultancy/Legal Fees	4,000,000	2,903,801
Bank Charges	1,270,686	862,693
Audit Fee and VAT	508,080	522,000
Supervision & Recoverable Expenses	44,000	45,200
	<b><u>5,822,766</u></b>	<b><u>4,333,694</u></b>
<b>8 Governance Expenses</b>		
Committee Expenses	7,161,984	3,080,162
AGM Expenses	3,700,000	3,000,000
Entertainment	541,545	471,564
Underprovision of AGM Expenses	763,560	-
Committee Education	395,290	107,475
Ushirika Day Celebrations	75,000	73,000
	<b><u>12,637,379</u></b>	<b><u>6,732,201</u></b>

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**NOTES TO THE FINANCIAL STATEMENTS (Cont....)**

	<b>2018</b>	<b>2017</b>
	<b><u>Kshs</u></b>	<b><u>Kshs</u></b>
<b>9 Business Development</b>		
Marketing & Advertisement	19,825,355	13,613,478
Research & Development	8,717,996	1,597,806
Strategic Planning Expense	2,728,400	258,400
Members Training	1,017,940	158,896
	<b><u>32,289,690</u></b>	<b><u>15,628,580</u></b>
<b>10 Depreciation and amortisation</b>		
Depreciation	2,224,372	1,996,335
Amortisation	781,755	1,839,423
	<b><u>3,006,127</u></b>	<b><u>3,835,758</u></b>
<b>Total expenditure</b>	<b><u>137,916,627</u></b>	<b><u>94,987,616</u></b>
<b>11 Taxation</b>		
Net operating surplus before tax	12,355,899	18,305,091
Less: Dividend income	-	-
Tax penalty	3,452,681	-
Add: Farming Loss	2,362,701	-
<b>Taxable income</b>	<b><u>18,171,281</u></b>	<b><u>18,305,091</u></b>
Charge for the Year @ 30%	5,451,384	5,491,527
<b>Tax balance c/fwd</b>	<b>2,341,526</b>	<b>6,450,173</b>
Payments made during the year		
- Instalment tax paid	(13,911,345)	(9,600,174)
- Withholding tax paid	-	-
<b>Tax balance c/fwd</b>	<b><u>(6,118,435)</u></b>	<b><u>2,341,526</u></b>
<b>12 Cash and Bank</b>		
Co-operative Bank - Current Account	35,274,990	29,254,918
SACCO FOSA Account	16,630,057	12,619,941
Mpesa Paybills	14,498,419	23,590,149
Co-op Bank USD Account	12,643,938	18,573
Co-operative Bank - Savings Account	9,829,700	12,392,355
Co-op Bank Escrow Account	3,961,632	13,802,424
Bank of Africa	435,779	448,070
Petty cash	170,487	131,253
	<b><u>93,445,002</u></b>	<b><u>92,257,684</u></b>

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**NOTES TO THE FINANCIAL STATEMENTS (Cont....)**

	2018	2017
	<u>Kshs</u>	<u>Kshs</u>
<b>13 Receivables And Prepayment</b>		
Prepaid Medical Insurance	1,317,454	900,338
Refundable Rent Deposits	450,000	450,000
Total Kenya - Motorvehicle Deposit	100,000	100,000
Prepaid Motor vehicle Insurance	32,004	32,004
Prodigy Healthcare Limited	-	4,017,778
Strategic Plan Prepayment	-	1,798,000
	<u>1,899,458</u>	<u>7,298,120</u>
<b>14 Trade and Other Receivables</b>		
<b>Receivable within 1 year</b>		
Housing	216,827,883	321,280,732
Land	1,080,929,934	617,657,197
	<u>1,297,757,817</u>	<u>938,937,929</u>
<b>Receivable after 1 year</b>		
Housing	378,242,825	454,066,117
Land	205,549,133	279,476,713
	<u>583,791,958</u>	<u>733,542,830</u>
<b>Total</b>	<u>1,881,549,775</u>	<u>1,672,480,758</u>
<b>15 Non-current assets held for sale</b>		
Machakos County	340,990,229	369,458,550
Kajiado County	326,474,709	319,560,949
Mombasa County	85,948,300	79,807,412
Kiambu County	82,538,269	60,814,000
Makueni County	55,000,738	-
Nakuru County	52,150,935	79,974,043
Kisumu County	20,774,202	11,990,613
Laikipia County	16,181,941	15,913,286
Narok County	15,419,019	15,984,205
Uasi Gishu County	7,788,019	35,973,231
Siaya County	7,478,933	4,001,968
Kirinyaga County	1,698,110	5,336,917
	<u>1,012,443,404</u>	<u>998,815,174</u>
<b>16 Housing Stock for sale</b>		
Blue Bells 2	102,172,924	123,854,506
Ruaka	82,403,727	111,672,878
Blue Bells 1	32,458,456	52,218,923
Kantafu Serene Homes	22,396,500	41,593,500
Rongai Villas	21,106,523	10,553,262
	<u>260,538,130</u>	<u>339,893,067</u>

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NOTES TO THE FINANCIAL STATEMENTS (Cont....)

	<b>2018</b>	<b>2017</b>			
	<b>Kshs</b>	<b>Kshs</b>			
<b>17 Land Held for Investment</b>					
Juja 1	6,190,979	6,190,979			
Kitengela KCA	2,428,738	2,428,738			
Malindi project	-	40,599,468			
	<u>8,619,717</u>	<u>49,219,185</u>			
<b>18 Land Held For Housing Projects</b>					
Ruaka III Housing	203,507,600	199,500,000			
Boutique Hotel & Holiday Homes	184,136,700	157,136,700			
Athi River Housing	115,080,000	101,780,000			
Kiserian Shopping Mall / Apartments	28,174,000	28,174,000			
	<u>530,898,300</u>	<u>486,590,700</u>			
<b>19 Agribusiness Investment</b>					
Land held for SIC farming	42,852,717	45,143,222			
	<u>42,852,717</u>	<u>45,143,222</u>			
<b>20 Other Financial Assets</b>					
Fixed Deposit account	60,718,117	121,068,046			
CO-OP Trust Investment	12,567,779	12,567,779			
African Alliance	10,291,971	10,291,971			
CIC Group Shares	2,025,000	2,025,000			
	<u>85,602,867</u>	<u>145,952,797</u>			
<b>21 Property &amp; Equipment Movement Schedule</b>					
	<b>Phones &amp; Accessories</b>	<b>Computers</b>	<b>Motor vehicle</b>	<b>Furniture &amp; Equipment</b>	<b>Totals</b>
<b>Rate</b>	33.30%	30.00%	25.00%	12.50%	
	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>
<b>Cost</b>					
As at 01.01.2018	649,499	4,328,229	4,401,439	5,986,439	15,365,606
Additions	-	952,300	1,020,000	638,679	2,610,979
Disposals	-	-	-	-	-
As at 31.12.2018	<u>649,499</u>	<u>5,280,529</u>	<u>5,421,439</u>	<u>6,625,118</u>	<u>17,976,585</u>
<b>Depreciation</b>					
As at 01.01.2018	270,435	2,413,710	3,269,917	1,021,394	6,975,456
Disposals	-	-	-	-	-
Charge for the Year	126,228	860,046	537,880	700,465	2,224,620
As at 31.12.2018	<u>396,663</u>	<u>3,273,756</u>	<u>3,807,798</u>	<u>1,721,859</u>	<u>9,200,076</u>
<b>Net Book Value</b>					
As at 31.12.18	<u>252,836</u>	<u>2,006,773</u>	<u>1,613,641</u>	<u>4,903,258</u>	<u>8,776,756</u>
As at 31.12.17	<u>379,064</u>	<u>1,914,519</u>	<u>1,131,522</u>	<u>4,965,045</u>	<u>8,390,150</u>
				<b>2018</b>	<b>2017</b>
				<b>Kshs</b>	<b>Kshs</b>
<b>22 Intangible Assets</b>					
<b>Software</b>					
As at start of Year				2,606,853	4,446,276
Additions				-	-
Amortization				(781,755.00)	(1,839,423)
At end of Year				<u>1,825,098</u>	<u>2,606,853</u>
<b>23 Deferred Income</b>					
Housing Income				36,419,747	33,362,524
Interest on Tenancy Purchase Scheme				49,297,029	63,360,858
Premium on Extended Payments				30,784,532	44,122,118
				<u>116,501,308</u>	<u>140,845,500</u>

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	<b>2018</b>	<b>2017</b>
	<b><u>Kshs</u></b>	<b><u>Kshs</u></b>
<b>24 Trade Payables</b>		
Projects creditors	427,155,994	479,909,840
Honoraria & Staff Bonus	13,000,000	12,000,000
Trade creditors	12,619,656	19,346,002
Deposits received	5,234,104	30,257,225
AGM Expenses	3,700,000	3,000,000
Payroll Deductions	2,674,556	2,196,518
Audit Fees	508,080	567,200
Accrued Expenses	294,000	1,340,000
	<b><u>465,186,389</u></b>	<b><u>548,616,785</u></b>
<b>25. Interest Bearing Liabilities</b>		
<b>Opening Balance</b>	<b>378,438,668</b>	<b>125,061,102</b>
Receipts in the year	200,730,860	378,438,668
Interest Earning Deposits	36,271,570	-
Payments	(178,777,339)	(125,061,102)
<b>Closing Balance</b>	<b><u>436,663,758</u></b>	<b><u>378,438,668</u></b>
<b>26. Share Capital</b>		
<b>Opening Balance</b>	<b>2,319,807,204</b>	<b>1,867,042,529</b>
Additions During the Period	29,766,748	196,595,375
Capitalized Rebates	151,141,712	256,169,300
<b>Closing Balance</b>	<b><u>2,500,715,663</u></b>	<b><u>2,319,807,204</u></b>
<b>27. Reserves</b>		
<b>a. Statutory Reserve</b>		
<b>Opening Balance</b>	<b>13,094,909</b>	<b>10,532,197</b>
Provided During the Period	1,380,903	2,562,713
<b>Closing Balance</b>	<b><u>14,475,812</u></b>	<b><u>13,094,909</u></b>
<b>b. General Reserve</b>		
Opening Balance	28,503,116	22,630,470
Proposed Honoraria	(5,000,000)	(4,000,000)
AGM Expense	-	(378,205)
Retained Earnings for the year	6,904,515	12,813,564
Statutory reserve re-stated	(1,380,903)	(2,562,713)
<b>Closing Balance</b>	<b><u>29,026,728</u></b>	<b><u>28,503,116</u></b>
<b>Total Reserves</b>	<b><u>43,502,540</u></b>	<b><u>41,598,025</u></b>